



March 31, 1999

Office of the Fiscal Assistant Secretary
US Department of Treasury, Room 2112
1500 Pennsylvania Avenue, NW
Washington, DC 20220

To Whom It May Concern:

On behalf of the Maryland Center for Community Development (MCCD), a statewide membership organization of more than 100 groups whose mission is to promote housing and community development, fair housing opportunities, and community investment in Maryland, I am writing to oppose any involvement of check cashers, pawn shops, and other non-federally-insured institutions in the EFT (Electronic Funds Transfer) program. This includes so-called voluntary accounts outside the ETA (Electronic Transfer Account) option. These types of institutions provide no option for savings, which should be a goal for the federal government.

EFT provides an unprecedented opportunity to encourage a number of "unbanked" individuals to establish accounts with banks or thrifts. We believe this would be a direct mechanism to initiate the "unbanked," who are largely unsophisticated about banking and bank services, in financial literacy and responsible financial management. These business relationships could ultimately lead to more home and small business lending in traditionally underserved communities. It also has the potential to create savings and thereby support a strengthening of the economy. However, if check cashers and other non-federally insured institutions participate in the EFT program, MCCD believes that the "unbanked" population receiving EFT will be pushed further away from mainstream financial institutions. An endorsement of these non-federally insured institutions is contradictory with other Treasury initiatives, such as the effort to help communities teach people about basic financial services.

These fringe establishments are largely unregulated industries in many states, and while their presence is growing around the country, many localities are unfamiliar with their activities. In the state of Maryland, the legislature is currently considering legislation that would regulate this industry. MCCD has voiced its concerns about the inconsistent, usurious fees that check cashers charge, and our opposition to pay day loans, as well as on the detrimental economic impact they can have on communities.

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If Treasury sanctions an EFT system allowing fringe banking, this will equate to endorsement of this federally uninsured industry. This would erode the progress that community groups like our member organizations have worked hard to achieve via CRA and federal fair lending laws and devalues the wide variety of services provided solely by banks, such as saving accounts, and retirement plan vehicles that "unbanked" people should be exposed to.

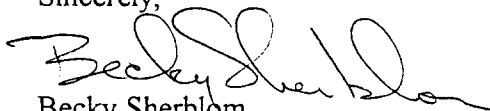
The Treasury department should be employing every policy tool at its disposal to reverse this higher market presence of check cashing outlets. It would be truly harmful for the federal government to save millions of dollars by pushing low-income people into relationships with unregulated entities that charge usury fees and offer few services. If Treasury provides non-federally insured institutions with access to a captive market of millions of unbanked recipients of federal benefits and wages, the market penetration of check cashers in underserved neighborhoods will truly dwarf that of banks and thrifts. In contrast, if Treasury restricts EFT to federally-insured institutions, banks and thrifts can begin to regain market share in traditionally underserved neighborhoods.

If the Treasury Department wishes to support the reinvestment stimulated by CRA and the fair lending laws, it needs to prohibit non-federally insured institutions from participating in the EFT system.

While we recognize the value to the federal government in EFT, and we recognize the value to financial institutions in the high fee to be paid by Treasury for creating new customers, we want to make sure this rule also provides value to the individual citizen – who we believe should be the government's first concern.

Thank you for this opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Becky Sherblom". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Becky Sherblom
Executive Director